



**Cincinnati Retirement System Pension Fund
Task Force Meeting**

**January 5, 2010 - 2PM
Centennial II – Second Floor - Meeting Room A**

Agenda

Call to Order:

Approval of Minutes

✚ December 3, 2009

New Business

✚ Updated presentation by CRS Actuary Cavanaugh Macdonald
Participation via Conference Call

Adjournment

Next Meeting:



Cavanaugh Macdonald
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Retirement System for Employees of the City of Cincinnati

Task Force Meeting
January 5, 2010

Ed Koebel, EA, FCA, MAAA
Eric Gary, FSA, FCA, MAAA





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Task Force Objectives

- City Council Motion #200900902 – Approved 6/17/2009
 - Analyze the City’s ability to pay for currently provided benefits to current and future retirees
 - Study current trends in both public and private retirement programs
 - Report to Council its recommendations on further changes to the Cincinnati Retirement System (the System) to resolve the unfunded liability
 - Ensure the long-term stability and sustainability of the System



Task Force Objectives

- Achieve funded status over a 30 year timeframe
 - 100% for pension benefits
 - 80% for health care benefits
 - Approximately 95% overall
- Ensure benefits are actuarially fair and neutral
 - Fair: present value contributions = present value benefits
 - Neutral: benefit change = additional entitlement earned
 - e.g., service purchases, early retirement reductions
- Phase-in changes so members have time to adjust
- Create equitable sharing of responsibility
- Communicate to and obtain input from all stakeholders
- Produce fair and competitive benefits package
 - Recruit, reward, retain



Current Plan - Issues

- Economic downturn of 2008
 - Investment returns
 - City revenues
 - Timing of recovery
- Estimated 12/31/2008 liability after first Task Force changes
 - Unfunded liability = 485.6% of payroll
 - Annual required contribution = 54.06% of payroll
 - Applicable to the fiscal year ending 12/31/2010
- Beneficiary to active member ratio = 1.46:1.00
- Increased longevity of members
- Increasing cost of health care



Current Plan - Pension

➤ Benefits

- Service Retirement
 - Benefit Multiplier:
 - 2.50% (New Plan)
 - 2.22% (Old Plan)
 - Final Average Salary:
 - Highest 3 consecutive years of Service
- Disability Retirement
- Death Benefits



Current Plan - Pension

➤ Eligibility

- Normal Retirement
 - Age 60 with 5 years of service
 - 30 years of service
- Early Retirement
 - Age 55 with 25 years of service
 - Actuarial Equivalent Benefit
- Disability Retirement
 - Disabled as a result of accident while in performance of employee's duties
 - 5 years of service and result of accident or non-accident cause outside of employee's duties



Current Plan - Pension

➤ Eligibility

- Ordinary Death Benefit
 - Upon death of a member while in service
- Survivor Death Benefit
 - Upon death of a member while in service and with 18 months of service (excludes Building Crafts Participants)



Current Plan – Health Care

- Benefits
 - Medical
 - Prescription drug
 - Medicare Part A replacement
 - Those hired prior to 4/1/1986 may not be covered by Medicare Part A
 - Medicare Part B premium reimbursement
 - Retirees and dependents
 - Dental
 - Vision
 - Lifetime coverage
 - Must receive a pension benefit (no withdrawals)



Current Plan – Health Care

- Eligibility – Retiree Contributions
 - Group 1
 - Hired prior to 1/9/1997
 - Retire under the System with 15 or more years of service; or
 - Retire under the System at age 60 with 5 or more years of service
 - Group 2
 - Hired on or after 1/9/1997
 - Retire under the System with 15 or more years of service
 - Deferred retirees eligible for health care at age 65
 - Both groups include survivors receiving benefits



Current Plan – Health Care

- Eligibility – Medical and Prescription Drug Plans
 - Retired prior to 9/1/2007
 - Excludes ERIP retirees
 - Blue Access Modified PPO
 - Blue Access Carveout PPO
 - Means tested
 - Changed as of 1/1/2010 per recommendation of the first Task Force
 - Retired on or after 9/1/2007
 - Includes ERIP retirees
 - Blue Access 80/20 PPO
 - Active employee plan



Current Plan – Health Care

- Premium Contributions
 - Blue Access Modified PPO and Blue Access Carveout PPO
 - Premium = \$0
 - Includes retiree and dependents
 - Blue Access 80/20 PPO
 - Group 1
 - 5% of premium
 - Active employee rate
 - Group 2
 - Higher of Group 1 contribution or portion of their cost determined by point system



Current Plan – Health Care

➤ Group 2 Point System

- 1 point for each year of life AND each year of service
 - Example: 90 points if member retires at age 60 with 30 years of service
 - Rewards longevity of service

Points	Retiree Contribution of Cost (%)
90+	0
80-89	25
70-79	50
60-69	75
<60	System pays 25% of employee portion of premiums

- The System should consider clarifying “cost” in its definition



Current Plan – Employee Contributions



- City Contribution = 17.00%
- Active Employee Contribution = 7.00%
 - Per the first Task Force, the employee contribution rate is to increase by 0.50% per year for four years (i.e., from 7% to 9% from 2009 to 2013)
 - Allocated entirely to pension benefits
- Annual required contribution = 54.06%
 - Shortfall = 30.06%
 - Applicable to the fiscal year ending 12/31/2010



Benefit Financing



$$C + I = B + E$$

- Basic Retirement Funding Equation
 - C = Contributions
 - I = Investment Income
 - B = Benefits Paid
 - E = Expenses (administration)



Benefit Financing



$$C + I = B + E$$

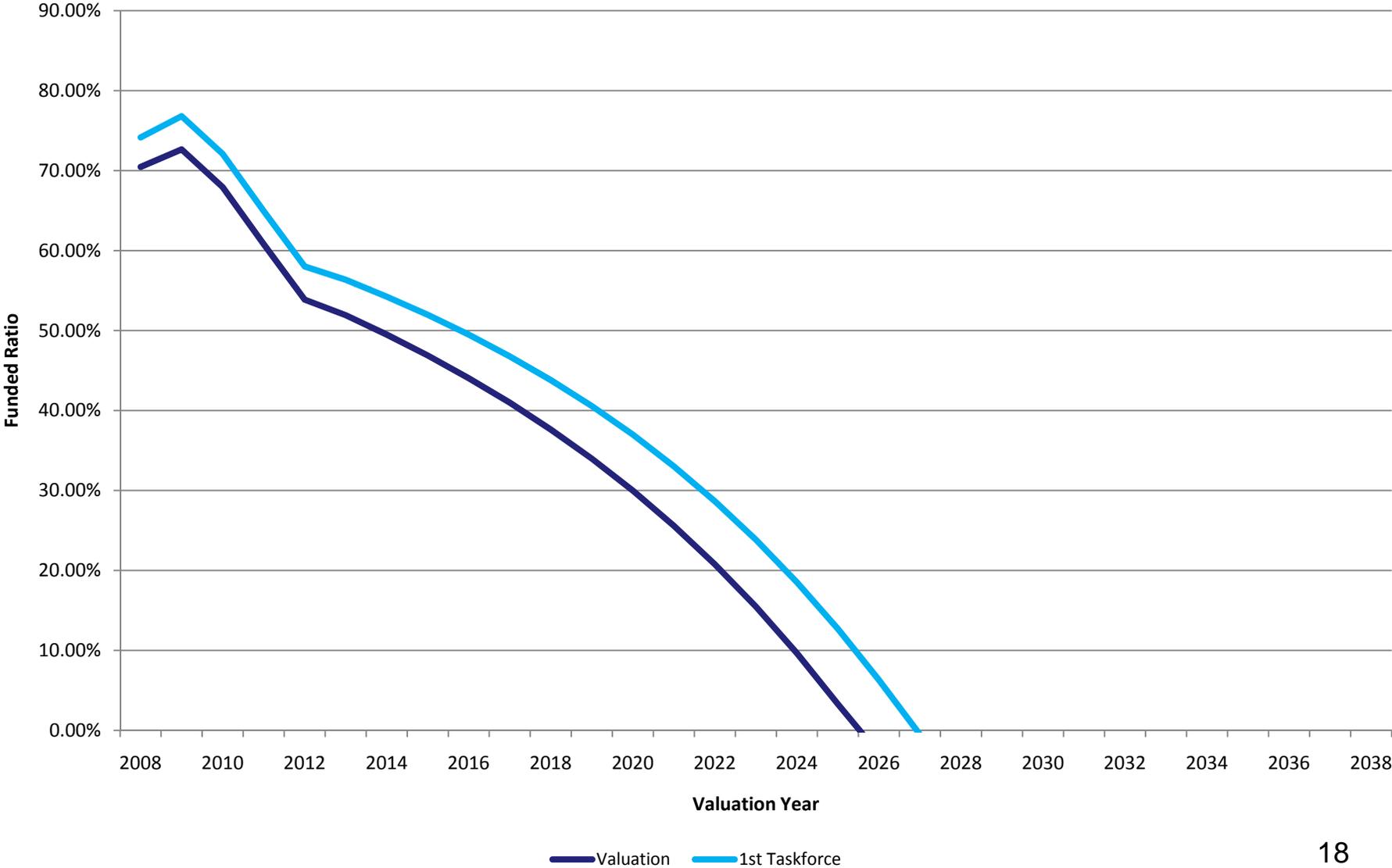
- B depends on
 - Plan Provisions
 - Experience
- C depends on
 - Short Term:
 - Actuarial Assumptions
 - Actuarial Cost Method
 - Long Term:
 - I, B, E



Benefit Financing

- Short-term: The System has the cash flow needed to pay current retirement benefits as they come due, but “principal” will continue to decline
- Long-term: There is a projected shortfall in the funding of future retirement benefits
 - If no changes are made, the System will eventually be unable to pay future benefits

**Cincinnati Retirement System
30-Year Projection of Funded Ratio
Assumes Contributions Remain at Current levels**





Benefit Financing

- The funding dilemma is both a short-term and long-term issue
 - Short-term
 - Ability to earn investment income
 - In funded plans, investment income may pay 70%-80% of benefits, reducing long-term contributions
 - Long-term
 - Ability to pay future benefits
 - Do contributions for active employees balance with their expected future benefit payments
- Timeframe of the problem and the remedy should be the same



Benefit Financing

- Investment Income
 - The current, long-term, actuarial rate of return for the System's assets is 8.00%
 - Unlikely the System can count on higher investment returns to provide a solution
- Expenses
 - While it is critical the System manages its expenses, reducing administrative costs, in of itself, is unlikely to solve the long-term funding dilemma
- As a result, the primary focus should be on the two remaining components of the basic funding equation



Benefit Financing

- Increase Contributions
 - Employer
 - Budgetary limits as to what can be paid
 - Employee
 - Limits as to what the employee can afford
 - Retiree
 - Fixed income
- Decrease Benefits
 - Need to recruit, reward, retain talented employees
 - Legal barriers
 - Expectations of current and future retirees



Benefit Financing

- Legal Barriers - Ice Miller's Comments
 - Pensions treated as gratuities within CRS statute
 - Four major pension items can be changed for those who have not met the normal retirement conditions of the plan as of the effective date
 - Benefit Multiplier
 - Change can be made to retroactive and/or future service
 - Increase Years for Final Average Salary Definition
 - e.g., Increase from 3 years to 5 years
 - Reduce COLA
 - Increase Retirement Eligibility
 - High risk of lawsuit without grandfathering



Benefit Financing

- Legal Barriers - Ice Miller's Comments (continued)
 - Reduce COLAs for current retirees
 - Need more research
 - Health care components can be changed
 - No guarantee of or contractual obligation to provide health care coverage
 - Current retiree lawsuit regarding first Task Force's changes to health care plan demonstrates litigation is possible
 - Importance of communicating to and obtaining input from all stakeholders



Benefit Financing

➤ Conclusions

- If no changes are made, the System will eventually be unable to pay future benefits
- Funding dilemma is both short-term and long-term in nature
- While not to be overlooked, increases in investment income and decreases to expenses are not likely to provide a solution
 - Must focus on contributions and benefits
- There is a limit to what the City, employees, and retirees can contribute
- Legal barriers prevent a meaningful, short-term reduction to pension benefits



Benchmarking

- Benchmarking provides a basis of measuring the System's level of benefits to other, like employment groups
- Systems selected for benchmarking:
 - Ohio Public Employees Retirement System (OPERS)
 - Includes employees of Columbus and Cleveland
 - State Teachers Retirement System of Ohio (STRS)
 - School Employees Retirement System of Ohio (SERS)
 - Ohio Police & Fire Pension Fund (OP&F)

Summary of Pension Benefits

	OPERS	OSTRS	OSERS	OP&F	CRS
Number of Actives	374,002	173,327	125,465	28,927	3,088
Compensation (\$ in millions)		9,187.6	2,787.4	1,857.5	155.5
Number of Retirees	161,389	126,506	65,757	25,317	4,501
AVA Smoothing Methodology	4 year	4 year	4 year	5 year	5 year
Investment Return	8.00%	8.00%	8.00%	8.25%	8.00%
Benefit Multiplier	2.2% for first 35 years 2.5% for years over 35	2.2% for first 30 years 2.5% for years over 30	2.2% for first 30 years 2.5% for years over 30	2.5% for first 20 years 2.0% for next 5 years 1.5% for years over 25	2.5% for all service
Final Average Salary	5 years	5 years	3 years	5 years	3 years
Normal Retirement Eligibility - New Hires	67 & 5 or 55 & 32	65 & 5 or 35 or 60 & 30	67 & 10 or 57 & 30	52 & 25 or 62 & 15	60 & 5 or 30
Early Retirement Eligibility - New Hires	62 & 5 or 57 & 25	60 & 5 or 55 & 30	62 & 10 or 60 & 25	48 & 25	55 & 25
Early Retirement Reduction	Actuarially Equivalent	Actuarially Equivalent	Actuarially Equivalent	Actuarially Equivalent	Actuarially Equivalent
Employee Contribution Percentage	10.00%	Increased from 10% to 12.5% by 0.5% per year beginning 7/1/2011	10.00%	Increased from 10% to 12% by 0.5% per year beginning in 2010	Increased from 7% to 9% by 0.5% per year beginning in 2010
COLA Assumption - Current Retirees	3.00%	2.00%	3.00%	3.00%	3.00%
COLA Assumption - Future Retirees	Lesser of CPI-W or 3.00%	1.50%	3.00%	3.00%	3.00%

Summary of Basic Retiree Health Care Plan Provisions

	OPERS	STRS	SERS	OP&F	CRS
Health care eligibility	10yrs	15yrs	10yrs	Same as pension	15yrs; or 60&5 for Group 1
Open enrollment	Yes	Yes	Age 65 only	3yrs post ret, age 65, qual event	Yes
Re-employment waiver	Yes	Yes	No	Yes	No
Dependent coverage	Yes	Yes	Yes	Yes	Yes
Dependent subsidy	Service based, if spouse 55+	No	Service based	Partial, based upon retire date	Yes
Surviving spouse coverage	Yes	Yes, 5yr subsidy	Service based	Yes	Yes
Medicare Part B subsidy - Retiree	Yes	Partial	Partial	Yes	Yes
Medicare Part B subsidy - Spouse	No	No	No	No	Yes
Retiree Medical Account	Yes	No	No	No	No
Means tested benefits	Yes	Yes	Yes	Yes	Yes for Group 1
Means tested benefit	30% of premium	100% of premium	25% of premium	30% of premium	100% of premium No deductible Reduced OOP limits
Means tested benefit requirement	<=150% of Federal poverty level	total income < \$23,800; and total liquid assets < \$23,800	total household income falls below specified level \$13,538 for single person to \$46,262 for eight people	<=200% of Federal poverty level	Age 65 w/ 30+ YOS and annual benefit < \$30,000; or Age 65 w/ <30 YOS and total income < \$30,000; or Total income < 50% CDBG median household income

Summary of Current In-Network Health Care Plan Benefits				
Retirement System	OPERS	OPERS	OPERS	OPERS
Plan Name	Enhanced	Intermediate	Basic	Medicare Advantage
Provider	Medical Mutual of Ohio	Medical Mutual of Ohio	Medical Mutual of Ohio	Humana
Plan Type	PPO	PPO	PPO	PPO
Annual Deductible single family	\$500 per covered individual	\$750 per covered individual	\$2,000 per covered individual	\$250 per covered individual
Annual Out-of-Pocket Maximum single family	\$1,000 per covered individual	\$3,000 per covered individual	\$5,000 per covered individual	\$850 per covered individual
Lifetime Maximum	\$3,000,000	\$3,000,000	\$3,000,000	n/a
Outpatient/Physician Coinsurance	20%	20%	30%	4%
Office Visit	\$20 copay	\$25 copay	40% coinsurance	4% coinsurance
Preventive	\$150 annual physical 0% coinsurance	\$150 annual physical 0% coinsurance	\$150 annual physical 0% coinsurance	0% coinsurance
Inpatient/Hospitalization	\$100 deductible per admission 20% coinsurance hospital 0% coinsurance SNF 0% coinsurance hospice	\$100 deductible per admission 20% coinsurance hospital 20% coinsurance SNF 0% coinsurance hospice	\$100 deductible per admission 30% coinsurance hospital 30% coinsurance SNF 0% coinsurance hospice	\$0 deductible per admission 4% coinsurance hospital 0% coinsurance SNF 5% coinsurance hospice
Prescription Drug PBM Retail	Express Scripts	Express Scripts	Express Scripts	Express Scripts
Deductible	n/a	n/a	\$550 per covered individual	n/a
Generic	\$4	\$10	35%	\$4
Formulary Brand	\$20	\$35	35%	\$20
Non-formulary Brand	\$50	\$50	50%	\$50
Mail				
Deductible	n/a	n/a	\$550 per covered individual	n/a
Generic	\$10	\$25	35%	\$10
Formulary Brand	\$50	\$87.50	35%	\$50
Non-formulary Brand	\$125	\$125	50%	\$125
Out-of-Pocket Maximum	n/a	n/a	n/a	n/a
Vision	Optional	Optional	Optional	Optional
Dental	Optional	Optional	Optional	Optional
Eligibility	Non-Medicare Retirees and Medicare Retirees covering non-Medicare dependents Medicare Advantage plan deductible and OOP apply to Medicare eligible retirees	Non-Medicare Retirees and Medicare Retirees covering non-Medicare dependents Medicare Advantage plan deductible and OOP apply to Medicare eligible retirees	Non-Medicare Retirees and Medicare Retirees covering non-Medicare dependents Medicare Advantage plan deductible and OOP apply to Medicare eligible retirees	Medicare eligible (Parts A & B) retirees and dependents only

Summary of Current In-Network Health Care Plan Benefits					
Retirement System	STRS	STRS	STRS	SERS	SERS
Plan Name	Plus	Basic	Medicare Advantage	Aetna Managed Care/MMO PPO	Aetna Medicare Plan
Provider	Medical Mutual of Ohio	Medical Mutual of Ohio	Aetna	Aetna/Medical Mutual of Ohio	Aetna
Plan Type	PPO	PPO	PPO	PPO	PPO
Annual Deductible					
single	\$500	\$1,500	\$500	\$340	n/a
family	per covered individual	per covered individual	per covered individual	\$700	n/a
Annual Out-of-Pocket Maximum					
single	\$1,500	\$2,500	\$1,500	\$1,500	n/a
family	\$3,000	\$5,000	per covered individual	\$3,000	n/a
Lifetime Maximum	\$2,500,000	\$2,500,000	n/a	\$2,500,000	n/a
Outpatient/Physician Coinsurance	20%	20%	4%	0% surgery/20% diagnostic	\$25 copay x-ray/0% other
Office Visit	20%	20%	\$15 copay	\$25 copay	\$25 copay
Preventive	20% coinsurance	0% coinsurance no deductible	0% coinsurance	0% coinsurance	0% coinsurance
Inpatient/Hospitalization	20% coinsurance	20% coinsurance	\$0 deductible per admission 4% coinsurance hospital 0% coinsurance SNF	20% coinsurance hospital 20% coinsurance SNF	\$250 copay per admit 0% coinsurance \$0 copay SNF 1-10 days \$25 copay SNF 11-20 days \$50 copay SNF 21-100 days
Prescription Drug					
PBM	Express Scripts	Express Scripts	Express Scripts	Express Scripts	Express Scripts
Retail					
Deductible	\$150 all Brand	\$150 all Brand	\$150 all Brand	n/a	n/a
Generic	\$10	\$10	\$10	20% coinsurance	20% coinsurance
Formulary Brand	\$30	\$30	\$30	20% coinsurance	20% coinsurance
Non-formulary Brand	50% coins / \$100 max	50% coins / \$100 max	50% coins / \$100 max	35% coinsurance	35% coinsurance
Mail					
Deductible	n/a	n/a	n/a	n/a	n/a
Generic	\$9 low cost / \$25 standard	\$9 low cost / \$25 standard	\$9 low cost / \$25 standard	\$15	\$15
Formulary Brand	\$75	\$75	\$75	\$45	\$45
Non-formulary Brand	50% coins / \$200 max	50% coins / \$200 max	50% coins / \$200 max	\$80	\$80
Out-of-Pocket Maximum	\$3,000	\$3,000	\$3,000	n/a	n/a
Vision	Optional	Optional	annual eye exam	n/a	n/a
Dental	Optional	Optional	Optional	Optional	Optional
Eligibility	Non-Medicare Retirees and Medicare Retirees covering non-Medicare dependents	All retirees eligible with varying premium structure based upon Medicare eligibility	Medicare eligible (Parts A & B) retirees and dependents only	Non-Medicare Retirees (MMO PPO) and non-Medicare dependents of Medicare Retirees (Aetna)	Medicare eligible (Parts A and/or B) retirees and dependents only

Summary of Current In-Network Health Care Plan Benefits					
Retirement System	OP&F	OP&F	CRS	CRS	CRS
Plan Name	2010 UHC Plan	Medicare Supplement Plan L	Blue Access Modified PPO Plan	Blue Access Carveout PPO Plan	Blue Access 80/20 PPO Plan
Provider	UnitedHealthcare	AARP/UnitedHealthcare	Anthem	Anthem	Anthem
Plan Type	PPO	PPO	PPO	PPO	PPO
Annual Deductible					
single	\$500	n/a	\$100	\$0	\$300
family	\$1,000	n/a	\$200	\$0	\$600
Annual Out-of-Pocket Maximum					
single	\$1,500	\$2,310	\$1,000	\$500	\$1,500
family	\$3,000	per covered individual	\$2,000	\$1,000	\$3,000
Lifetime Maximum	n/a	n/a	\$2,000,000	\$2,000,000	\$2,000,000
Outpatient/Physician					
Coinsurance	0% physician/20% other	\$135 deductible, 5% Medicare approved amounts, and all non-Medicare approved amounts	20%	20%	20%
Office Visit	\$30 copay	n/a	n/a	n/a	n/a
Preventive	0% coinsurance \$30 copay	Medicare standard preventive services	0% coinsurance	0% coinsurance	0% coinsurance
Inpatient/Hospitalization	\$250 deductible per admit 20% coinsurance hospital 20% coinsurance SNF	\$267 until all lifetime reserve days plus an additional 365 days have been exhausted, then, all costs \$33.37 copay SNF 21-100 days	20% coinsurance	20% coinsurance	20% coinsurance
Prescription Drug					
PBM	UnitedHealthcare Pharmacy	UnitedHealthcare Pharmacy	Anthem	Anthem	Anthem
Retail					
Deductible	n/a	Standard Medicare Pt D Benefit	n/a	n/a	n/a
Generic	\$5	\$310 Deductible	\$5	\$5	\$10
Formulary Brand	\$20	25% coins on next \$2,520	\$15	\$15	\$20
Non-formulary Brand	\$30	100% coins on next \$3,610	\$30	\$30	\$30
Mail		5% coins on excess			
Deductible	n/a		n/a	n/a	n/a
Generic	\$10		\$10	\$10	\$20
Formulary Brand	\$40		\$30	\$30	\$40
Non-formulary Brand	\$60		\$60	\$60	\$60
Out-of-Pocket Maximum	n/a		\$1,000	\$500	n/a
Vision	Optional	Optional	Included	Included	Included
Dental	Optional	Optional	Included	Included	Included
Eligibility	Retirees without both Medicare Parts A & B, dependents, expatriates	Medicare eligible (Parts A & B) retirees and dependents only. Medicare Supp Plans B and F are optional, but the system's subsidy is based upon Plan L	Retired prior to 9/1/2007	Retired prior to 9/1/2007 and meet means testing requirements	Retired after 9/1/2007

Summary of System Contributions and Health Care Premiums

OPERS	STRS	SERS
<p>Group 1 Retired or are eligible to retire prior to 1/1/2007 Retiree: 100% of allowance Dependents: 75%-90% of retiree's allowance based upon service 10-15 YOS: 75% 15+ YOS: additional 1% per additional YOS to 90% max</p> <p>Group 2 Eligible to retire after 1/1/2007 and were hired prior to 1/1/2003 Retiree: 50%-100% of allowance based upon service 10-15 YOS: 50% 15+ YOS: additional 3.33% (5% for Law enforcement) per additional YOS to 100% max Dependents: 25%-90% of retiree's allowance based upon service 10-15 YOS: 25% 20 YOS: 38.89% (43.75% for law enforcement) 30 YOS: 75.00% 40+ YOS: 90.00%</p> <p>Group 3 Hired on or after 1/1/2003 Retiree: 25%-100% of allowance based upon service 10-15 YOS: 25% 15+ YOS: additional 5.0% (7.5% for Law enforcement) per additional YOS to 100% max Dependents: 12.5%-65.0% of retiree's allowance based upon service 10-15 YOS: 12.5% 20 YOS: 25.00% (31.25% for law enforcement) 30 YOS: 50.00% 40+ YOS: 65.00%</p> <p>Effective 1/1/2011, no spouse allowance will be paid if spouse under age 55</p> <p>Allowance is based upon retiree rate for Enhanced plan.</p>	<p>Benefit Recipient: 37.5%-75.0% of premium based upon service 0-14 YOS*: 0% 15+ YOS: 37.5% plus additional 2.5% per additional YOS to 75% max *Plan access allowed for those retiring before 1/1/2004 Dependents: 0% of premium</p> <p>Full Monthly Premium Rates for 2010</p> <p><i>Not eligible for Medicare - MMO Plus</i> Benefit Recipient: \$924 Spouse: \$924 Child: \$231</p> <p><i>Not eligible for Medicare - MMO Basic</i> Benefit Recipient: \$486 Spouse: \$486 Child: \$139</p> <p><i>Eligible for Medicare, not eligible for Aetna MA - MMO Plus</i> Individual: \$304</p> <p><i>Eligible for Medicare, not eligible for Aetna MA - MMO Basic</i> Individual: \$160</p> <p><i>Eligible for Medicare - Aetna Medicare Plan</i> Individual: \$231</p>	<p>Group 1 Retired prior to 8/1/2008 Member: 0%-82.5% of premium 10-14 YOS: 0% of premium 15-19 YOS: 50% of premium 20-24 YOS: 75% of premium 25+ YOS: 82.5% of premium</p> <p>Group 2 Retired on or after 8/1/2008 Member: 0%-88% of premium 10-19 YOS: 0% of premium 20-24 YOS: 50% of premium 25-29 YOS: 70% of premium 30-34 YOS: 80% of premium 35+ YOS: 85% of premium plus 1% per additional YOS</p> <p>All Groups Disabled Retirees: 82.5% of the premium Spouse: 0%-20% of premium 1.5-24 YOS: 0% of premium 25-29 YOS: 10% of premium 30+ YOS: 20% of premium Child: 30% of premium</p> <p>Full Monthly Premium Rates for 2010</p> <p><i>Not eligible for Medicare - MMO PPO</i> Member: \$1,155 Spouse: \$919 Child: \$199</p> <p><i>Not eligible for Medicare - Aetna Managed Care</i> Member: \$1,233 Spouse: \$981 Child: \$213</p> <p><i>Eligible for Medicare A&B - Aetna Medicare</i> Individual: \$221</p>

Summary of System Contributions and Health Care Premiums (continued)

OP&F	CRS
<p>Group 1 Retired on or before 7/24/1986 Benefit Recipient: 75% of health care contribution Dependents: 50% of health care contribution</p> <p>Group 2 Retired on or after 7/25/1986 Benefit Recipient: 75% of health care contribution Dependents: 25% of health care contribution</p> <p>Full Monthly Premium Rates for 2010*</p> <p><i>Not eligible for Medicare</i> Benefit Recipient: \$886.77 Spouse: \$657.55 Child: \$290.20</p> <p><i>Eligible for Medicare, but not eligible for AARP plan</i> Benefit Recipient: \$457.59 Spouse: \$410.67 Child: \$243.97</p> <p><i>Eligible for Medicare and eligible for AARP plan</i> Based on AARP Medicare Supplement Ohio Plan L premium rate and additional charge for prescription drugs. Estimated cost @ age 65: \$335.82</p> <p>*The plan charges separately for medical and prescription drug coverage.</p>	<p>Group 1 Hired prior to 1/9/1997 Blue Access Modified PPO and Blue Access Carveout PPO 100% of Cost Blue Access 80/20 PPO >95% of Cost</p> <p>Group 2 Hired on or after 1/9/1997 90+ Points: 100% of Cost 80-89 Points: 75% of Cost 70-79 Points: 50% of Cost 60-69 Points: 25% of Cost <60 Points: 25% of employee portion of premiums</p> <p>Full Monthly Projected Costs for 2010*</p> <p><i>Not eligible for Medicare</i> Retiree/Spouse: \$877 Child: \$202</p> <p><i>Eligible for Medicare</i> Individual: \$638</p> <p>*Based upon projections supplied by Chuck Haas.</p>



New Benefit Plan Development

- Should be based upon objectives and benefit financing conclusions
 - 30 year funding goal
 - Equity
 - Input from stakeholders
 - Recruit, reward, retain
 - Deliverable
- A framework for discussion
 - Defines what can currently be afforded
 - Needs input from constituency groups
 - Not final by any means



New Benefit Plan Development

➤ Contributions

- City

- Increases from by 0.50% per year over four years starting in the year 2015 (i.e., from 17.00% to 19.00% from 2014 to 2018)

- Employee

- Increases by 0.50% per year over four years starting in the year 2010 (i.e., from 7.00% to 9.00% from 2009 to 2013)



New Benefit Plan Development

➤ Contributions (continued)

▪ Retiree

- Effective 1/1/2011, 100% cost share for vision and dental benefits for all participants (retirees and dependents)
- Effective 1/1/2011, scale back the dependent subsidy over four years (25% each year)
 - Premium equivalents are based upon retiree costs only (no commingling with actives) and are to be based upon Medicare eligibility
- Effective 1/1/2011, all retirees will be required to pay a minimum of 60% of the premium equivalent
- Effective 1/1/2011, discontinue the Medicare Part B premium subsidy for Medicare eligible dependents



New Benefit Plan Development

➤ Pension Benefits

- Effective 1/1/2011, discontinue the \$7,500 death benefit
- Effective 1/1/2011, change the COLA for future retirees to be tied to an inflation index that is capped at 3.0%
 - Index is CPI-U
 - For projection purposes, rate is assumed to be 2.50%
 - Rate is compounded

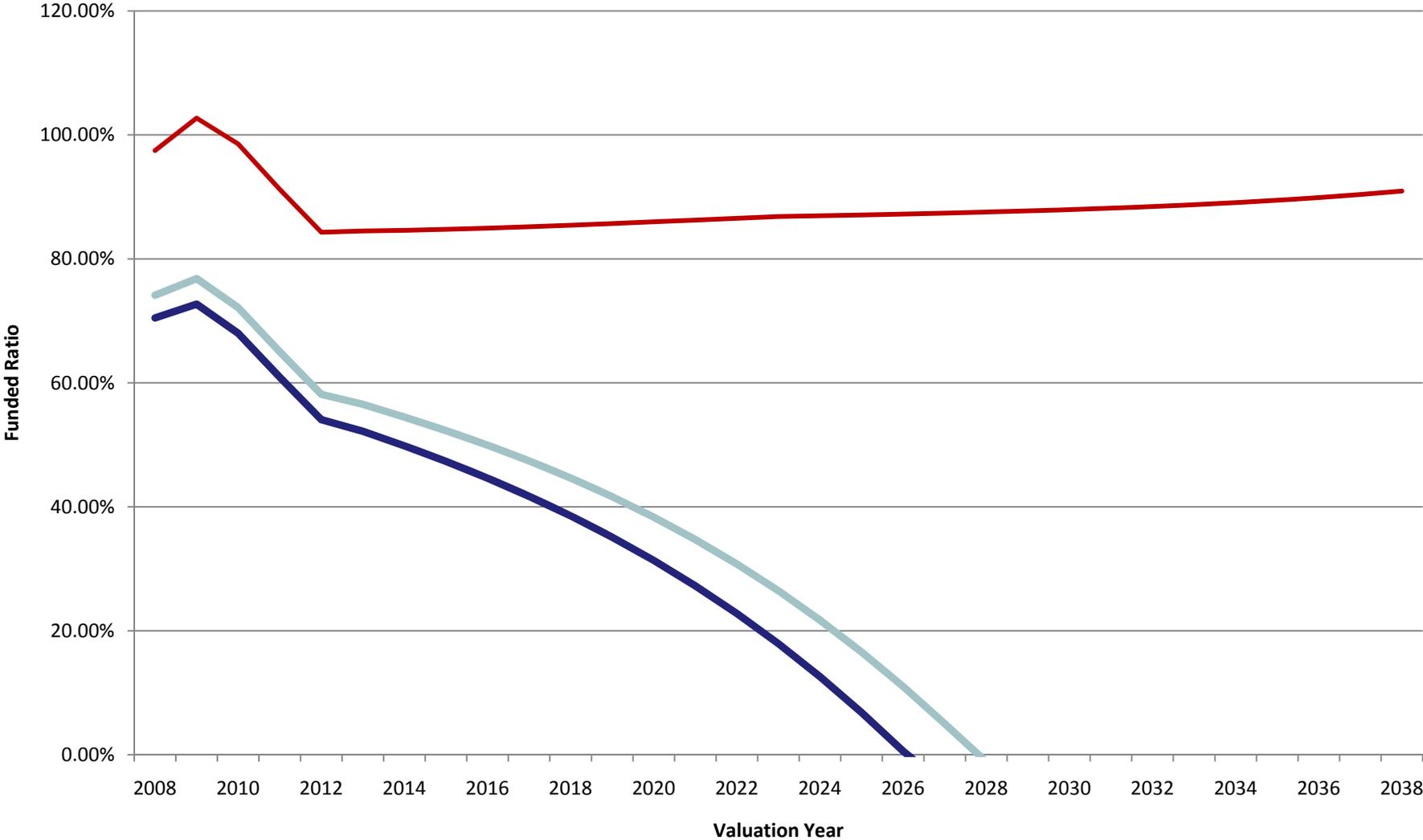


New Benefit Plan Development

➤ Medical

- Effective 1/1/2011, retirees who retired prior to 1/1/2008 will move to the 80/20 plan
- Effective 1/1/2011, assume the health care plan moves to a PDP for the provision of prescription drug benefits to those who are Medicare eligible
- Require “early retirees” eligible for health care coverage under a new employer’s plan to adopt this coverage
 - Once coverage is no longer available under a new employer’s plan, the retiree will be allowed to re-enter the CRS plan
 - Those retirees who do not comply with this policy will forfeit CRS coverage permanently.

Cincinnati Retirement System 30-Year Projection of Funded Ratio New Benefit Plan Development



■ Valuation
 ■ 1st Taskforce
 ■ New Benefit Plan Development - 60% Cost Share



New Benefit Plan Development

- Assumptions
 - 12/31/2008 Valuation Basis
 - 8.00% Discount Rate
 - 2009 Investment Return to Date
 - Positive 2009 – Assumed 15.00% Return
 - Assume 8.00% Thereafter
 - First Task Force Changes (effective 1/1/2010)
 - Amortization period changed to 30 years
 - Increase in employee contribution percentages
 - New tier pension changes
 - Reduced Benefit Formula
 - Increased Retirement Eligibility
 - Health care participation
 - Participation decreases as cost share increases



New Benefit Plan Development

- Additional Considerations
 - Investigate alternate health care plan features and designs to improve cost effectiveness
 - Medicare HMO and Medicare Supplement
 - Potential “no Part A” issue
 - Claims analysis
 - Prescription drug carveout (e.g., Medco, Caremark, Express Scripts)
 - Health management programs
 - Enable members to be better consumers (e.g., Consumer Driven Health Plan)
 - Tiered plan structure
 - Provide option to allow members to “buy-up”



New Benefit Plan Development

- Additional Considerations (continued)
 - Increase purchasing leverage
 - At a minimum, tie to active employee plan
 - Develop purchasing pool with other systems
 - Alliances with the other Ohio systems and groups (e.g., Ohio Retirement Study Council)
 - Defined contribution designs
 - Pension
 - Health Savings Account
 - Separate Trust Funds
 - Pension
 - Health Care



New Benefit Plan Development

- Additional Considerations (continued)
 - GASB 43/45 Discount Rate
 - The present value of projected benefits should be discounted at a rate equal to the estimated long-term yield on the investments expected to be used to finance the payment of benefits
 - For unfunded plans, the discount rate is typically lower than that used for funded plans
 - Payment deficiencies assumed to be made from general revenues
 - Investment yield of general revenue funds is typically lower (e.g., 4.00%-5.00%)
 - A lower discount rate typically results in a higher AAL, UAL, and ARC (i.e., lower funded ratio)



Next Steps

- Meet with stakeholders
- Resolve outstanding legal ambiguities
- Determine impact of alternative plan designs